

**TOWN OF BERLIN, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS AND REQUIRED**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2016**



**TOWN OF BERLIN, MASSACHUSETTS  
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## INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Selectmen  
Town of Berlin, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Berlin, Massachusetts' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Berlin, Massachusetts, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

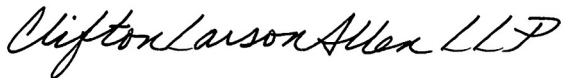
## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 11) and general fund budgetary comparison and certain pension information (located on pages 47 through 51) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017, on our consideration of the Town of Berlin, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berlin, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Lexington, Massachusetts  
February 16, 2017

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

As management of the Town of Berlin, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2016.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the most recent fiscal year by \$20,383,691 (net position).
- The Town's total net position increased by \$819,931 during the fiscal year.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,625,001, or 13% of total general fund revenues and transfers in.
- The Town's total long-term debt decreased by \$180,000 during the fiscal year; no new debt was issued.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains other required supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, repayment of long-term debt, etc.).

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

The government-wide financial statements present functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest).

The government-wide financial statements can be found on pages 13 - 14 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Fiduciary funds

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, conservation (special revenue) and Riverbridge (capital projects) funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 15 - 18 of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for the government-wide financial statements.

The fiduciary funds provide separate information for the Town's agency funds. Agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the caption "agency funds".

The basic fiduciary fund financial statement can be found on page 19 of this report.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Basic Financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 45 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be found on pages 47 - 51 of this report.

**Government-Wide Financial Analysis**

The following tables present current and prior year data on the government-wide financial statements.

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities by \$20,383,691 at the close of the fiscal year and are summarized as follows:

	<b>Governmental Activities</b>	
	2016	2015
<b>Assets</b>		
Current assets.....	\$ 8,007,289	\$ 7,862,295
Noncurrent assets (excluding capital assets).....	1,361,641	1,377,065
Capital assets (net).....	<u>17,223,412</u>	<u>17,274,356</u>
Total assets.....	<u>26,592,342</u>	<u>26,513,716</u>
<b>Deferred Outflows of Resources.....</b>	<u>746,817</u>	<u>2,534</u>
<b>Liabilities</b>		
Current liabilities (excluding debt).....	805,582	2,009,239
Noncurrent liabilities (excluding debt).....	5,425,381	4,213,746
Current debt.....	359,523	180,000
Noncurrent debt.....	<u>364,982</u>	<u>549,505</u>
Total liabilities.....	<u>6,955,468</u>	<u>6,952,490</u>
<b>Net Position</b>		
Net investment in capital assets.....	16,685,065	16,594,570
Restricted.....	5,006,983	4,156,722
Unrestricted.....	<u>(1,308,357)</u>	<u>(1,187,532)</u>
Total net position.....	<u>\$ 20,383,691</u>	<u>\$ 19,563,760</u>



**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

The largest portion of the Town's net position reflects its net investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of the net pension liability.

***Changes in Net Position***

The Town's total net position increased by \$819,931 during the current fiscal year and is summarized as follows:

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for services.....	\$ 581,996	\$ 595,727
Operating grants and contributions.....	2,547,851	2,235,099
Capital grants and contributions.....	5,545	2,048,155
<i>General Revenues:</i>		
Real estate and personal property taxes.....	9,950,014	9,225,865
Motor vehicle and other excise taxes.....	494,260	465,783
Hotel/motel taxes.....	23,245	16,539
Penalties and interest on taxes.....	45,522	37,960
Payments in lieu of taxes.....	66,939	66,939
Grants and contributions not restricted to specific programs.....	188,377	199,806
Unrestricted investment income.....	12,060	11,604
	<u>13,915,809</u>	<u>14,903,477</u>
Total revenues.....		
<b>Expenses</b>		
General government.....	1,057,593	1,413,044
Public safety.....	2,533,702	2,129,200
Education.....	8,020,290	7,626,297
Public works.....	1,138,045	1,134,106
Health and human services.....	84,759	85,890
Culture and recreation.....	230,789	191,510
Debt service - interest.....	30,700	36,850
	<u>13,095,878</u>	<u>12,616,897</u>
Total expenses.....		
Change in net position.....	819,931	2,286,580
Net position - beginning of year.....	<u>19,563,760</u>	<u>17,277,180</u>
Net position - end of year.....	<u>\$ 20,383,691</u>	<u>\$ 19,563,760</u>

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

Governmental activities increased the Town's net position by \$819,931. In the prior year, governmental activities increased the Town's net position by \$2,286,580. The key element of this change relates to the decrease in capital grants revenues of approximately \$2,043,000 from fiscal year 2016, which were primarily related to the Riverbridge capital project.

***Fund Financial Statement Analysis***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$6,711,115, an increase of \$1,263,836 in comparison with the prior year. \$1,570,150 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$198,924)
- Restricted (\$4,262,823)
- Committed (\$574,179)
- Assigned (\$105,039)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$1,625,001, while total fund balance was \$2,309,269. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and transfers in. Unassigned fund balance represents 13% of total general fund revenues and transfers in, while total fund balance represents 19% of that same amount.

The fund balance of the Town's general fund increased by \$290,101 during fiscal year 2016. The Town anticipated utilizing approximately \$601,000 of reserves to fund the budget; however, the Town ultimately recognized a budgetary surplus of approximately \$656,000.

Financial highlights of the Town's other major governmental fund are as follows:

The fund balance of the conservation fund (special revenue) increased by \$512,451 during the current fiscal year. The fund recognized \$307,175 of departmental and other revenues, \$210,000 of intergovernmental revenues and \$3,077 of investment income. The fund incurred expenditures of \$7,801.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**General Fund Budgetary Highlights**

The original general fund budget of \$12,061,102 was increased by \$105,000 (0.9%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Berlin Memorial School Boiler.....	\$ 75,000	Transfer from Stabilization
Fire Chief.....	<u>30,000</u>	Transfer from Highland Commons Mitigation
Total increase.....	<u>\$ 105,000</u>	

During the year, general fund revenues and other financing sources were greater than budgetary estimates, while expenditures, encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive overall budget to actual variance of approximately \$656,000.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities at the end of the fiscal year totaled \$17,223,412 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery, vehicles and equipment, infrastructure, and construction in progress. The total decrease in the investment in capital assets for the current fiscal year totaled \$50,944 (0.3%).

Major capital asset events that occurred during the current fiscal year include the following:

- Public safety and public works vehicles and equipment (\$254,000)
- Highway barn construction in progress (\$241,000)
- Highway improvements (\$83,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<b>Governmental Activities</b>	
	2016	2015
Land.....	\$ 4,182,708	\$ 4,182,708
Land improvements.....	35,865	40,612
Buildings and improvements.....	7,329,694	7,605,425
Machinery, vehicles and equipment.....	1,215,169	1,182,763
Infrastructure.....	4,130,290	4,262,848
Construction in progress.....	<u>329,686</u>	<u>-</u>
Total capital assets.....	<u>\$ 17,223,412</u>	<u>\$ 17,274,356</u>

Additional information on the Town's capital assets can be found in Note 5 of this report.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Long-Term Debt**

At the end of the current fiscal year, total long-term debt outstanding was \$549,505, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>	
	<u>2016</u>	<u>2015</u>
General obligation bonds.....	\$ 505,000	\$ 685,000
MCWT notes.....	<u>44,505</u>	<u>44,505</u>
Total bonds and notes.....	<u>\$ 549,505</u>	<u>\$ 729,505</u>

The Town's total long-term debt decreased by \$180,000 (24.7%) during the current fiscal year, with no new debt issued in the fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Finance Committee is recommending a total FY17 budget of \$12,069,131 which increases town spending by 3.3%, or \$389,214. New growth in FY17 is projected at only \$75,000, a return to levels seen before the Highland Commons. This means for the first time in three years the increase in town spending will be borne by existing tax payers.

**Notable Changes in the FY17 Recommended Budget:**

- **Combination Fire Department** – The Fire/Rescue department is undergoing significant changes in FY17 as this new combined department implemented recommendations from the public safety study. To give the Selectmen and Interim Chief the most flexibility we are recommending a single line item for all salary, wages, and expenses. We expect this to be a one year exception, and next year will go back to listing these lines out. The numbers listed are about \$100,000 more than we spent in FY16 for the combination of Fire, Rescue, Fire Inspector and Emergency Management. It should mean better response times, fewer missed calls, and some increased revenue. The whole department is new, and in flux, so money is there to allow for some inefficiency during this change and flexibility to build a department good for our citizens. Fincom expects to closely review the budget for the next few years as things settle down.
- **Communications Department** – Berlin is moving to a regional dispatch center, but the timing of that move is uncertain, since that impacts how much is wages vs expenses. Fincom is recommending a single line item so the Selectmen and Chief of Police have some flexibility on the timing of this move.
- **Assabet Capital Assessment** – Assabet has finished a significant renovation, and FY17 is the first year we pay for these improvements. Each year going forward the amount will be less than the previous year. Because of these renovations, the building will be able to serve our town for many more years. We encourage you to reach out to Assabet and take a tour to see the building.
- **Adding hours to assistants in Treasurer's Office** – Berlin has no backup if our Treasurer is not available, and with lots of new regulations starting to kick in as Berlin tops 250 employees (FT, PT and seasonal), Fincom recommends the request to add an assistant treasurer to that office

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

- Adding hours to Accounting Office – similarly with added regulation and added hours to complete processing payroll, Fincom recommends the request to add both the skill level and total hours to the assistant in the Accountant's office.
- Public Building Wages and Expenses – The budget includes a proposed change in how we support janitorial services at town buildings using a multi-service contractor to allow for more flexibility in needed skills and services.
- Police Staffing – There is no increase in staffing for the Police department. The budget increase is to pay for a full year of salary for new staff hired part way through the current year.
- Council on Aging Van Costs – The proposed increase, and the smaller recommended increase is for the costs of operating the new CoA van. Salary for van drivers, as finding volunteers and work off participants is falling short. Expenses for fuel. Fincom is hoping that even some volunteerism can be found and the total financial need is lower.

**Health Insurance/Worcester Retirement:**

Health Insurance and Pensions now account for a little over 10% of the total budget, or \$1.27 million. The rates of increase for both of these are increasing at rates significantly faster than the total budget. Had it not been delayed, the Town could have faced a \$65,000 luxury tax penalty on our health plan as part of the Affordable Care Act. Berlin is not alone facing these problems, but we greatly encourage the Personnel committee, aka the Selectmen, to be working with town Unions to find a more affordable health plan, and be keenly aware of how short term staffing and pay changes can impact long term pension costs.

**Warrant Articles:**

At town meeting there will be warrant articles totaling \$6.4 million, several of which will require debt if approved. This is a reduction from the over \$9.0 million that was originally requested as several items have been withdrawn or reduced. Despite this large number, Finance Committee has an article to add \$100,000 to stabilization.

**Notable Warrant Articles:**

- **Quint Firetruck - \$700,000** – Recommend – The public safety study was clear that Berlin needs a Quint Ladder truck, as the primary vehicle to respond to calls. Mutual aid only works if it is mutual. It is unfair to the taxpayer of surrounding towns if we rely on them to be first responders on calls in Berlin. It is time for a replacement for the old, and regularly out of service rental truck. We are hoping the Fire Department also sees the other recommendation to shrink the total fleet in coming years. The amount recommended will not purchase a new truck, instead it allows them to have the funds to purchase an appropriate used one if/when it becomes available.
- **New Highway Building - \$3,800,000** – Recommended – We support the need for a new Highway Building. While we could build a cheaper building, the proposed design will ensure lower ongoing costs, saving taxpayers costs in the long run. The funding will be timed so that significant payments won't start until after we have finished paying for town offices which will reduce the impact on taxpayers. This article will also be on the ballot at town elections and we recommend passage there, too.
- **Elevator for 1870 Town Hall - \$526,000** – Recommend – With a state grant paying almost half the costs, we support using mostly Highland Commons Cultural funds to add accessibility to 1870 Town Hall. This is a great improvement over last year's request which relied on debt.

**TOWN OF BERLIN, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

- Fund for Conservation of Town Lands - \$1,000,000** – Recommend – Berlin is the town it is because of how the town protects our open space and conservation land. Funds from Solomon Pond Mall and other mitigation sources is mostly spent. Conservation Commission originally asked for \$3,000,000, but we feel for such a large amount we want regular check in with tax payers so we are recommending a smaller amount.
- School Repairs - \$81,300** – Recommend – These several articles are from items deferred as they worked on roof and boiler issues. They all improve the safety of the building and those who use it. We general support on-going investments in BMS so it can continue to server our town well, although we do hope the annual investment amount generally is less than what is requested this year.

Much of the Highland Commons one time mitigation costs have now been spent, in future years more of the warrant articles will need to be paid by taxpayers. That said, Berlin is in good financial shape. Our stabilization fund is at 5 % of town budget which is just at the 5-7% considered healthy, since we had some free cash we are recommending adding \$100,000 to stabilization to keep it in that healthy range. Highland Commons will still be contributing significant funds towards public safety which continues to support the added costs, with some money to assist with ongoing police, fire and rescue equipment with new police, fire. We do have a diverse tax base, with a decent mix of commercial, agricultural, and residential properties.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 23 Linden Street, Berlin, Massachusetts, 01503.

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**TOWN OF BERLIN, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,966,630
Restricted Cash and Cash Equivalents	4,532,787
Receivables, Net of Allowance for Uncollectible Amounts:	
Real Estate and Personal Property Taxes	156,291
Tax Liens	126,008
Motor Vehicle and Other Excise Taxes	47,285
Departmental and Other	84,228
Mall Mitigation	50,000
Intergovernmental	37,115
Loans	6,945
Total Current Assets	<u>8,007,289</u>
Noncurrent Assets:	
Receivables, Net of Allowance for Uncollectible Amounts:	
Real Estate Tax Deferrals	98,035
Mall Mitigation	441,667
Loans	42,721
Tax Foreclosures	779,218
Capital Assets not being Depreciated	4,512,394
Capital Assets, Net of Accumulated Depreciation	12,711,018
Total Noncurrent Assets	<u>18,585,053</u>
Total Assets	<u>26,592,342</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to Pension	<u>746,817</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Warrants Payable	155,831
Accrued Payroll	211,749
Tax Refunds Payable	331,992
Other Liabilities	106,010
Short-Term Notes Payable	175,000
Long-Term Bonds and Notes Payable	184,523
Total Current Liabilities	<u>1,165,105</u>
Noncurrent Liabilities:	
Long-Term Bonds and Notes Payable	364,982
Net Pension Liability	5,425,381
Total Noncurrent Liabilities	<u>5,790,363</u>
Total Liabilities	<u>6,955,468</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	16,685,065
Restricted for:	
Loans	49,666
Debt Service	5,050
Conservation	1,742,048
Permanent Funds:	
Expendable	41,521
Nonexpendable	198,924
Other Specific Purposes	2,969,774
Unrestricted	(1,308,357)
Total Net Position	<u>\$ 20,383,691</u>

See accompanying Notes to Basic Financial Statements.



**TOWN OF BERLIN, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 1,057,593	\$ 79,891	\$ 201,696	\$ -	\$ (776,006)
Public Safety	2,533,702	310,002	471,904	-	(1,751,796)
Education	8,020,290	78,970	1,219,209	-	(6,722,111)
Public Works	1,138,045	109,724	3,581	5,545	(1,019,195)
Health and Human Services	84,759	2,612	199,979	-	117,832
Culture and Recreation	230,789	797	451,482	-	221,490
Debt Service-Interest	30,700	-	-	-	(30,700)
Total Governmental Activities	<u>\$ 13,095,878</u>	<u>\$ 581,996</u>	<u>\$ 2,547,851</u>	<u>\$ 5,545</u>	<u>\$ (9,960,486)</u>
<b>GENERAL REVENUES:</b>					
Real Estate and Personal Property Taxes				\$	9,950,014
Motor Vehicle and Other Excise Taxes					494,260
Hotel/Motel Taxes					23,245
Penalties and Interest on Taxes					45,522
Payments in Lieu of Taxes					66,939
Grants and Contributions not Restricted to Specific Programs					188,377
Unrestricted Investment Income					<u>12,060</u>
Total General Revenues					<u>10,780,417</u>
<b>CHANGE IN NET POSITION</b>					819,931
Net Position - Beginning of Year					<u>19,563,760</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 20,383,691</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

<b>ASSETS</b>	<b>General</b>	<b>Conservation</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and Cash Equivalents	\$ 2,966,630	\$ -	\$ -	\$ 2,966,630
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	156,291	-	-	156,291
Real Estate Tax Deferrals	98,035	-	-	98,035
Tax Liens	126,008	-	-	126,008
Motor Vehicle and Other Excise Taxes	47,285	-	-	47,285
Departmental and Other	25,483	-	58,745	84,228
Mall Mitigation	-	491,667	-	491,667
Intergovernmental	18,236	-	18,879	37,115
Loans	-	-	49,666	49,666
Tax Foreclosures	779,218	-	-	779,218
Restricted Assets:				
Cash and Cash Equivalents	5,050	1,250,381	3,277,356	4,532,787
<b>Total Assets</b>	<b>\$ 4,222,236</b>	<b>\$ 1,742,048</b>	<b>\$ 3,404,646</b>	<b>\$ 9,368,930</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants Payable	\$ 145,150	\$ -	\$ 10,681	\$ 155,831
Accrued Payroll	202,994	-	8,755	211,749
Tax Refunds Payable	331,992	-	-	331,992
Other Liabilities	106,010	-	-	106,010
Short-Term Notes Payable	-	-	175,000	175,000
<b>Total Liabilities</b>	<b>786,146</b>	<b>-</b>	<b>194,436</b>	<b>980,582</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	1,126,821	491,667	58,745	1,677,233
<b>FUND BALANCES</b>				
Nonspendable	-	-	198,924	198,924
Restricted	5,050	1,250,381	3,007,392	4,262,823
Committed	574,179	-	-	574,179
Assigned	105,039	-	-	105,039
Unassigned	1,625,001	-	(54,851)	1,570,150
<b>Total Fund Balances</b>	<b>2,309,269</b>	<b>1,250,381</b>	<b>3,151,465</b>	<b>6,711,115</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,222,236</b>	<b>\$ 1,742,048</b>	<b>\$ 3,404,646</b>	<b>\$ 9,368,930</b>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2016**

	General	Conservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ 9,834,199	\$ -	\$ -	\$ 9,834,199
Motor Vehicle and Other Excise Taxes	501,130	-	-	501,130
Hotel/Motel Tax	23,245	-	-	23,245
Tax Liens	40,947	-	-	40,947
Payments in Lieu of Taxes	66,939	-	-	66,939
Charges for Services	-	-	239,461	239,461
Intergovernmental	1,121,787	210,000	340,799	1,672,586
Penalties and Interest on Taxes	45,522	-	-	45,522
Licenses and Permits	98,427	-	68,186	166,613
Fines and Forfeitures	45,325	-	-	45,325
Departmental and Other	66,260	307,175	971,783	1,345,218
Contributions	-	-	34,092	34,092
Investment Income	12,060	3,077	526	15,663
Total Revenues	<u>11,855,841</u>	<u>520,252</u>	<u>1,654,847</u>	<u>14,030,940</u>
<b>EXPENDITURES</b>				
Current:				
General Government	879,680	7,801	18,052	905,533
Public Safety	1,672,213	-	77,062	1,749,275
Education	6,428,231	-	317,996	6,746,227
Public Works	777,673	-	303,106	1,080,779
Health and Human Services	64,582	-	12,657	77,239
Culture and Recreation	140,061	-	36,898	176,959
Pension Benefits	786,683	-	-	786,683
Employee Benefits	909,855	-	-	909,855
Property and Liability Insurance	76,947	-	-	76,947
State and County Charges	37,384	-	-	37,384
Debt Service:				
Principal	189,523	-	-	189,523
Interest	30,700	-	-	30,700
Total Expenditures	<u>11,993,532</u>	<u>7,801</u>	<u>765,771</u>	<u>12,767,104</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(137,691)</u>	<u>512,451</u>	<u>889,076</u>	<u>1,263,836</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	602,792	-	175,000	777,792
Transfer Out	(175,000)	-	(602,792)	(777,792)
Total Other Financing Sources (Uses)	<u>427,792</u>	<u>-</u>	<u>(427,792)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>290,101</u>	<u>512,451</u>	<u>461,284</u>	<u>1,263,836</u>
Fund Balances - Beginning of Year	<u>2,019,168</u>	<u>737,930</u>	<u>2,690,181</u>	<u>5,447,279</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,309,269</u>	<u>\$ 1,250,381</u>	<u>\$ 3,151,465</u>	<u>\$ 6,711,115</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND  
BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016**

Total Governmental Fund Balances	\$ 6,711,115
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	17,223,412
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	1,677,233
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and Notes Payable	(549,505)
Net Pension Liability	(5,425,381)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions	<u>746,817</u>
Net Position of Governmental Activities	<u><u>\$ 20,383,691</u></u>

*See accompanying Notes to Basic Financial Statements.*

**TOWN OF BERLIN, MASSACHUSETTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,263,836
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital Outlays	764,785
Depreciation	(815,729)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	(105,609)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount represents the related activity of the current period:</p>	
Bond Maturities	180,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. This amount represents the net change:</p>	
Net Pension Liability	(1,211,635)
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p>	
	<u>744,283</u>
Changes in Net Position of Governmental Activities	\$ <u><u>819,931</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BERLIN, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

<b>ASSETS</b>	Agency Funds
	<hr/>
Cash and Cash Equivalents	\$ 27,094
Receivables, Net of Allowance for Uncollectible Amounts:	
Departmental and Other	<hr/> 79,032
	<hr/>
Total Assets	\$ <u><u>106,126</u></u>
<b>LIABILITIES</b>	
Accrued Payroll	2,535
Other Liabilities	60,921
Liabilities Due Depositors	<hr/> 42,670
	<hr/>
Total Liabilities	\$ <u><u>106,126</u></u>

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The Town of Berlin, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

**Joint Venture**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in two joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the Town's joint ventures and related information:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Fiscal Year 2016 Assessment</u>
Tahanto Regional Middle/High School	To provide educational services/capital funding	215 Main Street Boylston, MA 01505	\$ 3,152,046
Assabet Valley Vocational Regional School District	To provide vocational educational services	215 Fitchburg Street Marlborough, MA 01752	472,678

The Tahanto Regional Middle/High School is governed by a six-member school committee consisting of three elected representatives from the Town. The Town is indirectly liable for the Tahanto Regional Middle/High School's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer at the address identified above.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

**Joint Venture (Continued)**

The Assabet Valley Vocational Regional School District is governed by an eight-member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the Assabet Valley Vocational Regional School District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the address identified above.

**C. Implementation of New Accounting Principles**

For the year ending June 30, 2016, the Town of Berlin implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

The implementation of these GASB pronouncements had no reporting impact for the Town.

**D. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The government-wide financial statements (statement of net position and the statement activities) report information on all non-fiduciary activities of the primary government.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.



**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment
- Grants and other contributions that are restricted to meeting the capital requirements of a specific function or segment

Taxes and other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements**

**Governmental funds** financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Fund Financial Statements (Continued)**

The following major governmental funds are reported:

- The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.
- The *conservation fund* is a special revenue fund used to account for the accumulation of resources that can be used for open space acquisition and preservation purposes.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

- Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
- Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Fiduciary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund type is reported:

- The *agency funds* are used to account for assets held in a custodial capacity. Such assets primarily consist of performance bonds and police detail activity. Agency funds do not present the results of operations or have a measurement focus.

**F. Deposits and Investments**

**Government-Wide and Fund Financial Statements**

Cash is considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at amortized cost.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable**

**Government-Wide and Fund Financial Statements**

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

**Real Estate Taxes, Personal Property Taxes and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on November 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed approximately six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

**Motor Vehicle Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

**Departmental and Other**

Departmental and other receivables consist primarily of ambulance, property damage and police detail charges and are recorded as receivables in the fiscal year accrued.

**Intergovernmental**

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

**Mall Mitigation**

In conjunction with the development of the Solomon Pond Mall, the Town entered into an agreement with the Developer to receive annual payments for the purpose of mitigating traffic, environmental, public safety, growth management and other impacts arising from the development of the Mall.

**Loans**

The Town administers various loan programs to residents that provide assistance to comply with Title V (related to septic systems) requirements. Loans are recorded as receivables upon issuance.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Allowance for Uncollectible Amounts**

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle excise taxes
- Departmental and other

As of June 30, 2016, the allowance for uncollectible amounts for personal property and motor vehicle excise tax receivables are immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- Loans

Intergovernmental and Mall Mitigation receivables are considered 100% collectible.

**I. Inventories**

**Government-Wide and Fund Financial Statements**

Inventories are recorded as expenditures at the time of purchase. Such inventories consist of supplies and small equipment and are not material in total to the government-wide and fund financial statements and therefore are not reported.

**J. Restricted Assets**

**Government-Wide and Fund Financial Statements**

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**K. Capital Assets**

**Government-Wide Financial Statements**

Capital assets, which consist of land, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure (e.g., roads and similar items), are reported in the governmental activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All individual purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

**Government-Wide Financial Statements (Continued)**

Depreciable capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings and improvements.....	7 - 40
Machinery, vehicles and equipment...	5 - 20
Infrastructure.....	20 - 50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

**Governmental Funds Financial Statements**

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

**L. Interfund Receivables and Payables**

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

**Government-Wide Financial Statements**

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position.

**Fund Financial Statements**

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

**M. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between funds.

**Government-Wide Financial Statements**

Transfers between governmental funds are eliminated from the governmental activities in the statement of activities.

**Fund Financial Statements**

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The government has deferred outflows of resources related to pension which is reported in the government-wide financial statements statement of net position.

**O. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The government has unavailable revenue that is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

**P. Net position and Fund Balances**

**Government-Wide Financial Statements (Net Position)**

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and/or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net position has been "restricted" for the following:

"Loans" represents outstanding septic loans receivable; of which proceeds are to be used to service outstanding Title V septic loans due to the Massachusetts Clean Water Trust.

"Debt service" represents amounts accumulated from the issuance of refunding bonds for future payment of long-term debt service costs associated with Town Hall renovations.

"Conservation" represents amounts accumulated for open space resource purposes.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances (Continued)**

**Governmental Funds Financial Statements (Fund Balances) (Continued)**

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded through actions approved by Town Meeting.

*Assigned* — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

*Unassigned* — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**Q. Long-Term Debt**

**Government-Wide Financial Statements**

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. No unamortized bond premiums or discounts are reported at June 30, 2016.

**Governmental Fund Financial Statements**

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Investment Income**

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Permanent fund investment income is allocated based on individual trust fund agreements.

**S. Compensated Absences**

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

**Government-Wide Financial Statements**

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred. At June 30, 2016, the liability for accrued vacation and sick pay was not material to the basic financial statements and therefore is not reported.

**Governmental Fund Financial Statements**

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

**T. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (WRRS) and Massachusetts Teachers' Retirement System (MTRS) and additions to/deductions from WRRS's and MTRS's fiduciary net position have been determined on the same basis as they are reported by WRRS and MTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**U. Use of Estimates**

**Government-Wide and Fund Financial Statements**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**V. Total Column**

**Fund Financial Statements**

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.



**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority approval via Special Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the legal level of control (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2016 approved budget for the general fund authorized \$12,061,102 in appropriations and other amounts to be raised. During fiscal year 2016, supplemental appropriations totaling \$105,000 were authorized.

The Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The budgetary comparison schedule presented in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results and encumbrances and continuing appropriations carried forward to the ensuing fiscal year. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

**B. Fund Deficits**

At June 30, 2016, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Highway Barn.....	38,523	Issuance of long-term debt
911 Support and Incentive Grant.....	8,894	State grant
911 Training Grant.....	7,434	State grant

**C. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2016, expenditures exceeded appropriations for state and county charges.

**TOWN OF BERLIN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS**

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States Government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the amortized cost of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments.

**A. Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy is to rely on FDIC and DIF insurance coverage. As of June 30, 2016, \$965,821 of the Town's bank deposits totaling \$5,938,562 were exposed to custodial credit risk.

**B. Investments Summary**

The Town's investments at June 30, 2016, reported as cash and cash equivalents, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (Years) <u>Less</u> Than 1
<u>Debt Securities:</u>		
Money market mutual funds.....	\$ 2,144,758	\$ 2,144,758
Repurchase agreements.....	1,537,927	1,537,927
External investment pools.....	<u>82,723</u>	<u>82,723</u>
Total debt securities.....	<u>\$ 3,765,408</u>	<u>\$ 3,765,408</u>

**C. Investment – Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

**D. Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's policy is to fully insure their investments. As of June 30, 2016, Town's investments were not exposed to custodial credit risk.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**E. Investments - Credit Risk of Debt Securities**

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2016, the Town's investments were unrated by a national credit rating organization.

**F. Investments – Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2016, the Town was not exposed to concentration of credit risk.

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2016, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 156,291	\$ -	\$ 156,291
Real estate tax deferrals.....	98,035	-	98,035
Tax liens.....	126,008	-	126,008
Motor vehicle and other excise taxes.....	47,285	-	47,285
Departmental and other.....	321,680	(158,420)	163,260
Mall mitigation.....	491,667	-	491,667
Intergovernmental.....	37,115	-	37,115
Loans.....	49,666	-	49,666
	<u>\$ 1,327,747</u>	<u>\$ (158,420)</u>	<u>\$ 1,169,327</u>

**Mall Mitigation**

In conjunction with the development of the Solomon Pond Mall (Mall), the Town entered into an agreement (Agreement) with the Developer to receive annual payments for the purpose of mitigating traffic, as well as environmental, public safety, growth management and other impacts arising from the development of the Mall. During fiscal year 2016, \$50,000 of mitigation payments were received from the Developer per the terms of the Agreement. Approximately \$491,667 will be received in future fiscal years, and such payments relate solely to open space acquisition and preservation. Accordingly, a \$491,667 receivable and corresponding unavailable revenue have been reported in the governmental funds financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,182,708	\$ -	\$ -	\$ 4,182,708
Construction in progress.....	-	329,686	-	329,686
Total capital assets not being depreciated....	4,182,708	329,686	-	4,512,394
<u>Capital assets being depreciated:</u>				
Land improvements.....	94,907	-	-	94,907
Buildings and improvements.....	12,720,469	98,118	-	12,818,587
Machinery, vehicles and equipment.....	3,211,013	253,625	(72,826)	3,391,812
Infrastructure.....	5,017,708	83,356	-	5,101,064
Total capital assets being depreciated.....	21,044,097	435,099	(72,826)	21,406,370
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(54,295)	(4,747)	-	(59,042)
Buildings and improvements.....	(5,115,044)	(373,849)	-	(5,488,893)
Machinery, vehicles and equipment.....	(2,028,250)	(221,219)	72,826	(2,176,643)
Infrastructure.....	(754,860)	(215,914)	-	(970,774)
Total accumulated depreciation.....	(7,952,449)	(815,729)	72,826	(8,695,352)
Total capital assets being depreciated, net.....	13,091,648	(380,630)	-	12,711,018
Total governmental activities capital assets, net....	\$ <u>17,274,356</u>	\$ <u>(50,944)</u>	\$ <u>-</u>	\$ <u>17,223,412</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government.....	\$ 83,411
Public safety.....	210,597
Education.....	216,819
Public works.....	299,433
Culture and recreation.....	5,469
Total depreciation expense - governmental activities.....	\$ <u>815,729</u>

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2016, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 175,000	\$ 175,000 (1)
Nonmajor Governmental Funds.....	602,792	-	602,792 (2)
	<u>\$ 602,792</u>	<u>\$ 175,000</u>	<u>\$ 777,792</u>

(1)Represents budgeted transfer to fund the construction of a new Municipal Town Highway Barn

(2) Represents budgeted transfers from Highland Common public safety fund (\$317,000), Highland Common capital (\$110,000), ambulance receipts reserved (\$80,000), Highland Common senior housing (\$30,000), Highland Common culture (\$12,000), cemetery receipts reserved (\$11,150), septic loan receipts reserved (\$9,523), library dog receipts reserved (\$2,137), sale of lot receipts reserved (\$1,300), and Anna Hunt trust (\$50) funds to fund the fiscal year 2016 operating budget. Also represents transfers from the bicentennial celebration receipts reserved (\$16,333), transfer station receipts reserved (\$9,624), electrical inspector receipts reserved (\$1,372), fire inspector receipts reserved (\$1,072), plumbing and gas inspector receipts reserved (\$809), and library dog receipts reserved (\$422) funds to the general fund.

**NOTE 7 SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

Details related to the short-term debt activity for the fiscal year ended June 30, 2016 is as follows:

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2015	Increases	Decreases	Balance at 6/30/2016
BAN	Highway Barn.....	06/01/16	06/01/17	0.80%	\$ -	\$ 175,000	\$ -	\$ 175,000

**TOWN OF BERLIN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 SHORT-TERM FINANCING (CONTINUED)**

**Subsequent Events**

On November 1, 2016, the Town issued new BANs for the highway barn project and a ladder truck in the amount of \$2,576,067 with an interest rate of 0.89% and a maturity date of November 1, 2017.

**NOTE 8 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 729,505	\$ -	\$ (180,000)	\$ 549,505	\$ 184,523
Net pension liability.....	4,213,746	1,211,635	-	5,425,381	-
Total.....	<u>\$ 4,943,251</u>	<u>\$ 1,211,635</u>	<u>\$ (180,000)</u>	<u>\$ 5,974,886</u>	<u>\$ 184,523</u>

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2016, and the debt service requirements are as follows:

**Bonds and Notes Payable – Governmental Funds**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
MCWT - Title V Loan.....	07/15/19	5.23%	\$ 29,672	\$ -	\$ -	\$ 29,672
MCWT - Title V Loan.....	07/15/22	5.33%	14,833	-	-	14,833
General obligation refunding.....	06/15/19	2.25-5.00%	685,000	-	(180,000)	505,000
Total.....			<u>\$ 729,505</u>	<u>\$ -</u>	<u>\$ (180,000)</u>	<u>\$ 549,505</u>

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....	\$ 184,523	\$ 25,664	\$ 210,187
2018.....	174,523	17,866	192,389
2019.....	174,523	9,350	183,873
2020.....	9,523	577	10,100
2021.....	2,105	266	2,371
2022.....	2,154	160	2,314
2023.....	<u>2,154</u>	<u>54</u>	<u>2,208</u>
Total.....	\$ <u>549,505</u>	\$ <u>53,937</u>	\$ <u>603,442</u>

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. The amount of MCWT bonds outstanding at June 30, 2016, totaled \$44,505.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2016, the Town had no authorized and unissued debt.

**TOWN OF BERLIN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	<u>General</u>	<u>Conservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Permanent fund principal.....	\$ -	\$ -	\$ 198,924	\$ 198,924
<b>Restricted:</b>				
Debt service.....	5,050	-	-	5,050
Conservation.....	-	1,250,381	-	1,250,381
Loans.....	-	-	49,666	49,666
Affordable housing.....	-	-	191,978	191,978
Ambulance receipts reserved.....	-	-	319,233	319,233
School choice.....	-	-	318,091	318,091
General government.....	-	-	767,784	767,784
Public safety.....	-	-	511,882	511,882
Education.....	-	-	133,306	133,306
Public works.....	-	-	31,088	31,088
Health and human services.....	-	-	262,816	262,816
Culture and recreation.....	-	-	407,618	407,618
School lunch.....	-	-	13,930	13,930
Sub-total - Restricted.....	<u>5,050</u>	<u>1,250,381</u>	<u>3,007,392</u>	<u>4,262,823</u>
<b>Committed:</b>				
Subsequent year's expenditures.....	220,000	-	-	220,000
Continuing appropriations.....	<u>354,179</u>	<u>-</u>	<u>-</u>	<u>354,179</u>
Sub-total - Committed.....	<u>574,179</u>	<u>-</u>	<u>-</u>	<u>574,179</u>
<b>Assigned:</b>				
General government.....	8,320	-	-	8,320
Public safety.....	4,005	-	-	4,005
Education.....	57,800	-	-	57,800
Public works.....	34,714	-	-	34,714
Other.....	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Sub-total - Assigned.....	<u>105,039</u>	<u>-</u>	<u>-</u>	<u>105,039</u>
<b>Unassigned.....</b>	<u>1,625,001</u>	<u>-</u>	<u>(54,851)</u>	<u>1,570,150</u>
Total fund balances.....	<u>\$ 2,309,269</u>	<u>\$ 1,250,381</u>	<u>\$ 3,151,465</u>	<u>\$ 6,711,115</u>



**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 11 STABILIZATION FUNDS**

The Town maintains a general stabilization fund that was established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization fund require two-thirds vote of Town meeting. Investment income is retained by the fund.

The balance of the stabilization fund at June 30, 2016 totals \$608,009. This amount is reported as unassigned fund balance in the general fund.

**NOTE 12 RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**NOTE 13 PENSION PLAN**

**General Information about the Pension Plan**

*Plan description.* Employees of the Town deemed eligible by the Worcester Regional Retirement Board are provided with pensions through the WRRS - a cost-sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. Membership in the WRRS is mandatory immediately upon the commencement of employment for all permanent employees (except for school department employees who serve in a teaching capacity) working a minimum of 20 hours per week. The WRRS issues a publicly available financial report that can be obtained by contacting the WRRS located at 23 Midstate Drive, Suite 106, Auburn, Massachusetts, 01501.

*Benefits provided.* Benefit provisions and state law establishes contribution requirements of the System. Members of the System become vested after 10 years of creditable service. Normal retirement occurs at age 65 (age 67 if hired on or after April 2, 2012), except for certain public safety employees and other special situations.

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period. A member's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement.

For employees hired on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%. A member's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five years of creditable service prior to retirement.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 13 PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued)**

Employees may elect early retirement after 20 years of service or at any time after attaining age 55 (age 60 if hired on or after April 2, 2012) with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of service and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

Under MGL, c.32 Section 3(8)(c), members leaving a member employer to work for other Massachusetts governmental units requires the System transfer their accumulated account balances and creditable service to the retirement system of their new employer. Other such retirement systems are in turn required to make comparable transfers to the System for employees coming to work at a member employer of the System. Per statute, the PERAC actuary shall consider length of service as well as acceptance of military service credit and salary cap provisions if applicable in calculating the liability.

*Contributions.* Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Active plan members contribute between 5 and 9% of their gross regular compensation. The contribution rate is based on the date plan membership commences. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Employees in Group 1 hired on or after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Employers are required to pay into the System its share of the system-wide actuarial determined contribution, in accordance with Chapter 32, Section 22D of MGL, apportioned among the employers based on annual employer normal cost and amortization payments to pay the unfunded actuarial accrued liability. Contributions to the pension plan from the Town were \$343,849 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the Town reported a liability of \$5,425,381 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2015, the Town proportion was 0.764%.

For the year ended June 30, 2016, the Town recognized pension expense of \$811,203. At June 30, 2016, the Town reported deferred outflows of resources related to pensions due to assumption changes of \$200,593, the net difference between projected and actual investment earnings of \$267,906, and the change in allocated proportion of \$278,318; which totaled \$746,817 in the aggregate.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The amount reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2017	\$ 149,618
2018	149,618
2019	149,616
2020	148,984
Thereafter	148,981
Total	<u>\$ 746,817</u>

*Actuarial assumptions.* The total pension liability was determined using the following actuarial assumptions:

Inflation rate:	Not explicitly assumed for the update to December 31, 2015 (3.5% per year for the actuarial valuation as of January 1, 2014)
Salary increases	3.0% per year, including longevity
Mortality Rates:	Based on the RP-2000 Mortality Table projected to 2014 with Scale AA. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table set forward two years.
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to January 1, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**TOWN OF BERLIN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.00%	8.02%
Fixed Income	23.00%	5.09%
Private Equity	10.00%	9.50%
Real Estate	10.00%	6.50%
Timber/Natural Resources	4.00%	7.07%
Hedge Funds	9.00%	6.50%
Other	4.00%	6.18%
Totals	<u>100.00%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's Proportionate Share of the Net Pension Liability	\$ 6,532,236	\$ 5,425,381	\$ 4,485,533

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued WRRS financial report.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts of Massachusetts' (Commonwealth of Massachusetts) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth of Massachusetts's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

*Benefits provided.* MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

*Contributions.* The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2016. The Commonwealth of Massachusetts's net pension liability associated with the Town was \$5,459,745.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The MTRS' net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015.

For the year ended June 30, 2016, the Town recognized pension expense of \$442,834 associated with MTRS and revenue of the same amount for support provided by the Commonwealth of Massachusetts.

*Actuarial assumptions.* The MTRS' total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

Investment rate of return	7.50%
Salary increases	Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service
Mortality Rates:	<p>Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)</p> <p>Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)</p> <p>Disability - assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years</p>
Other	<p>3.50% interest rate credited to the annuity savings fund</p> <p>3.00% cost of living increase per year</p>

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 14 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity.....	40.00%	6.90%
Core Fixed Income.....	13.00%	2.40%
Private Equity.....	10.00%	8.50%
Real Estate.....	10.00%	6.50%
Value Added Fixed Income.....	10.00%	5.80%
Hedge Funds.....	9.00%	5.80%
Portfolio Completion Strategies.....	4.00%	5.50%
Timber/Natural Resources.....	4.00%	6.60%
Totals	<u>100.00%</u>	

*Discount rate.* The discount rate used to measure the MTRS' total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Pension plan fiduciary net position.* Detailed information about the MTRS' fiduciary net position is available in the Commonwealth of Massachusetts's audited financial statements.

**TOWN OF BERLIN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 15 COMMITMENTS**

The Town's significant commitments are the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$459,218 at June 30, 2016.

**NOTE 16 CONTINGENCIES**

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2016.

The Town participates in a number of federal award programs. The programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.



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**TOWN OF BERLIN, MASSACHUSETTS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2016**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 9,918,743	\$ -	\$ 9,918,743
Motor Vehicle and Other Excise Taxes	-	488,372	-	488,372
Hotel/Motel Tax	-	-	-	-
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	66,939	-	66,939
Intergovernmental	-	669,578	-	669,578
Penalties and Interest on Taxes	-	31,450	-	31,450
Licenses and Permits	-	72,895	-	72,895
Fines and Forfeitures	-	44,620	-	44,620
Departmental and Other	-	23,644	-	23,644
Investment Income	-	8,195	-	8,195
Total Revenues	-	11,324,436	-	11,324,436
<b>EXPENDITURES</b>				
Current:				
General Government	236,733	975,202	(83,218)	1,128,717
Public Safety	16,286	1,691,614	87,088	1,794,988
Education	100,611	6,452,612	74,311	6,627,534
Public Works	33,633	829,002	18,697	881,332
Health and Human Services	9,218	71,838	310	81,366
Culture and Recreation	29,171	147,228	(259)	176,140
Pension Benefits	-	343,849	-	343,849
Employee Benefits	7,000	1,038,950	4,000	1,049,950
Property and Liability Insurance	-	83,200	-	83,200
State and County Charges	-	32,384	-	32,384
Debt Service:			-	
Principal	-	189,523	-	189,523
Interest	-	30,700	-	30,700
Total Expenditures	432,652	11,886,102	100,929	12,419,683
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(432,652)</u>	<u>(561,666)</u>	<u>(100,929)</u>	<u>(1,095,247)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	568,159	105,000	673,159
Transfers Out	-	(175,000)	(4,071)	(179,071)
Total Other Financing Sources (Uses)	-	393,159	100,929	494,088
<b>NET CHANGE IN FUND BALANCE</b>	<u>(432,652)</u>	<u>(168,507)</u>	<u>-</u>	<u>(601,159)</u>
Fund Balance - Beginning of Year	<u>1,413,815</u>	<u>1,413,815</u>	<u>1,413,815</u>	<u>1,413,815</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 981,163</u>	<u>\$ 1,245,308</u>	<u>\$ 1,413,815</u>	<u>\$ 812,656</u>

See accompanying Notes to Required Supplementary Information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	9,964,942	\$ -	\$ 9,964,942	\$ 46,199
	501,130	-	501,130	12,758
	23,245	-	23,245	23,245
	40,947	-	40,947	40,947
	66,939	-	66,939	-
	678,953	-	678,953	9,375
	45,522	-	45,522	14,072
	98,427	-	98,427	25,532
	45,325	-	45,325	705
	66,260	-	66,260	42,616
	9,223	-	9,223	1,028
	<u>11,540,913</u>	<u>-</u>	<u>11,540,913</u>	<u>216,477</u>
	879,680	156,995	1,036,675	92,042
	1,672,213	18,234	1,690,447	104,541
	6,428,231	189,325	6,617,556	9,978
	777,673	50,314	827,987	53,345
	64,582	13,112	77,694	3,672
	140,061	31,038	171,099	5,041
	343,849	-	343,849	-
	909,855	200	910,055	139,895
	76,947	-	76,947	6,253
	37,384	-	37,384	(5,000)
	189,523	-	189,523	-
	<u>30,700</u>	<u>-</u>	<u>30,700</u>	<u>-</u>
	<u>11,550,698</u>	<u>459,218</u>	<u>12,009,916</u>	<u>409,767</u>
	<u>(9,785)</u>	<u>(459,218)</u>	<u>(469,003)</u>	<u>626,244</u>
	702,792	-	702,792	29,633
	<u>(179,071)</u>	<u>-</u>	<u>(179,071)</u>	<u>-</u>
	<u>523,721</u>	<u>-</u>	<u>523,721</u>	<u>29,633</u>
	513,936	(459,218)	54,718	655,877
	<u>1,413,815</u>	<u>-</u>	<u>1,413,815</u>	<u>-</u>
\$	<u><u>1,927,751</u></u>	<u><u>(459,218)</u></u>	<u><u>1,468,533</u></u>	<u><u>655,877</u></u>

**TOWN OF BERLIN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016**

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
WORCESTER REGIONAL RETIREMENT SYSTEM (1)(2)**

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.764%	0.708%
Town's proportionate share of the net pension liability	\$ 5,425,381	\$ 4,213,746
Town's covered-employee payroll	\$ 1,758,464	\$ 1,690,831
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	308.53%	249.21%
Plan fiduciary net position as a percentage of the total pension liability	44.52%	47.94%

**SCHEDULE OF TOWN CONTRIBUTIONS  
WORCESTER REGIONAL RETIREMENT SYSTEM (1)(2)**

	<u>2016</u>	<u>2015</u>
Actuarially Required Contribution	\$ 343,849	\$ 279,839
Contributions in Relation to the Actuarially Required Contribution	<u>(343,849)</u>	<u>(279,839)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 1,758,464	\$ 1,690,831
Contributions as a Percentage of Covered Employee Payroll	19.55%	16.55%

(1) Amounts presented were determined as of December 31 of the fiscal year.

(2) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF BERLIN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1)(2)**

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability.....	0.000%	0.000%
Town's proportionate share of the net pension liability.....	\$ -	\$ -
Commonwealth's proportionate share of the net pension liability associated with the Town.....	<u>5,459,745</u>	<u>4,526,343</u>
Total.....	<u>\$ 5,459,745</u>	<u>\$ 4,526,343</u>
Town's covered-employee payroll.....	\$ 1,689,060	\$ 1,745,882
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability.....	55.38%	61.64%

(1) Amounts presented were determined as of June 30 of the previous fiscal year.

(2) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF BERLIN, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**

**NOTE A BUDGETARY – GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2016, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 11,540,913	\$ 12,009,916	\$ 523,721	\$ 1,468,533
<u>Adjustments and Reclassifications</u>				
Reclassification of stabilization fund activities.....	2,837	-	(95,929)	608,009
To record 60-day receipts.....	(26,583)	-	-	105,501
To record tax refunds payable.....	(104,160)	-	-	(331,992)
To record activity for MTRS on-behalf payments.....	442,834	442,834	-	-
To record encumbrances and continuing appropriations.....	<u>-</u>	<u>(459,218)</u>	<u>-</u>	<u>459,218</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 11,855,841</u>	<u>\$ 11,993,532</u>	<u>\$ 427,792</u>	<u>\$ 2,309,269</u>